

An analysis of international trends in city centre
restructuring and office decentralisation in Durban.

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Contents

Acknowledgements	5
Abstract	6
Chapter One: Introduction	7
1.1 Research Topic	11
1.2 Research Question	11
1.3 Hypothesis	12
1.4 Methodology	12
1.5 Chapter Outline	14
1.6 Conceptual framework	15
<i>The city, inner city and CBD</i>	15
<i>Economic Processes</i>	16
<i>City restructuring</i>	17
<i>Environmental factors – Crime</i>	19
<i>Traffic and Parking</i>	19
<i>Grime</i>	20
<i>Informal Economy</i>	21

Chapter Two: Research Methodology	22
<i>Research Methods</i>	22
<i>Literature Review</i>	23
<i>Case Studies</i>	26
<i>E-Mail questionnaires</i>	27
<i>Personal Interviews</i>	29
 Chapter Three: International city trends and spatial change	 32
3.0 Introduction	33
3.1 Post-Fordism and the economics of city restructuring	35
3.2 The manufacturing sector	36
3.3 The Service sector	38
3.4 The changing nature of work –	41
<i>Castells and the Network Society</i>	42
 Chapter Four: Spatial change in Cities	
4.0 Spatial Responses to globalisation	45
4.1 Case Studies –	
<i>Glasgow</i>	49

<i>Rotterdam</i>	52
<i>Johannesburg</i>	54

Chapter Five: Durban

5.1	The post-apartheid city	60
5.2	Durban: port and city	63
5.3	Problems in the inner city	66
	<i>Security</i>	67
	<i>Informal Economy</i>	69
	<i>Environment</i>	70
5.4	Office decentralisation and research analysis	72
5.5	A New Urbanism	79

Chapter Six: Conclusion

6.1	Global Economic Restructuring and the New Network of Nodes	86
6.2	Trends in South African Cities	88
6.3	Future areas for research	90
6.4	Concluding Remarks	91
	Bibliography	93
	Appendices	101

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Abstract

This dissertation investigates the links between economic and spatial trends, with particular emphasis on office decentralisation in Durban. It focuses on globalisation and its effect on economic processes, how these have impacted on the spatial structure of cities, and whether the current changes in the economy and nature of work as opposed to environmental factors such as crime and grime, are causes of decentralising activity.

This study looks at three case studies internationally, that of Glasgow, Rotterdam and Johannesburg, which give perspective on, not only the problems associated with the decline in manufacturing, but also how these cities have realigned themselves spatially into the new global economy. In the case of Johannesburg, the difficulties inherited from the apartheid era and the nature of urbanisation in the post-apartheid era are investigated, which have resulted in a fundamental restructuring of the Central Business District.

Finally, the case of Durban, with particular emphasis on the area of La Lucia ridge to the north of the city is the focus area for research into office decentralisation, and the links between environmental and economic factors. The current restructuring of the CBD and its problems are highlighted, and the reasons for decentralising activity are explored in the light of the changing nature of work and the economy.

Chapter One

Introduction

Current processes shaping the form of cities and urban economies around the world are radically transforming work and home environments, as well as marking an evolution in the way cities function and interact in the twenty-first century. As a result, cities are restructuring, shifting away from the notion of the Fordist city as “*a locus of mass production, mass consumption, social interaction and institutional representation*” (Scott 1989 in Amin and Thrift 1995:91) to post-modern places, where communication and information technology compete on a globalised and diverse economic scale. Increasingly the city has become a place of fragments, connected by transportation and communication networks, but no longer constituting a “*cohesive economic system*” (Amin & Thrift 1995:91). The changing social, economic and spatial environment has meant that perceptions of the city have changed, and trends in urban planning transformed accordingly.

Historically, cities have been viewed as central hubs, linked by strategic transportation and communication networks. However, the focus point of commercial and business activity has altered due to a number of factors. The rise in importance of the service sector and rapid advances in the field of information technology are often used to explain these transformations. For Sassen, “*cities are key sites for the production of services for firms. Hence the increase in service intensity in the organisation of all industries has had*

a significant growth effect on cities in the 1980's" (Sassen 1995:65). Whether this service industry is serving the local, national or international market, it has led to a dramatic change in the spatial environment, one in which the core is now dominated by the financial and service sector (Sassen 1995).

Shifts in technological advancement and the onset of automated procedures have also resulted in changing work patterns, leading to downsizing of company structures and the integration of processes. It has signalled a dramatic change in the way we perceive work and how employment is structured, fostering a surge in home-based business and the professional consultancy sphere. Castells has theorised the new urban environment as a "space of flows" (Castells 2000), the ability of people to network globally, make financial transactions in seconds and exist beyond the confines of the inner city.

The restructuring of capital and labour has "*not only engendered structural changes in the spheres of production and circulation, but has also rearranged the form of cities*" (Beauregard 1991:90). In European cities, these changes have been less dramatic than that of the United States, which has experienced radical spatial change in a number of manufacturing centres. Manufacturing has declined dramatically since the 1960s, and rapid advances in communications and information technology have meant, "*physical proximity to services is no longer a primary requirement of location*" (Metroplan 2000:2). Los Angeles is frequently cited as 'the post-modernist city', restructuring according to economic demands. As a result, "*the region has the vestiges of a major automobile industry as well as the glittering towers of a (largely defence-related) high-*

tech industry” (Dear 1995:40). This decline in manufacturing and subsequent growth in the service sector has resulted in an interesting decentralisation situation, which is reflected in many American cities. The city’s social make-up has altered dramatically, with downtown Los Angeles now home to a large Hispanic community and a burgeoning informal economy (similarities can be drawn with the South African context), whilst the wealthy elites retreat to the safety and comfort of the suburbs. This can also be seen in the case of Detroit.

The flight of business and retail to the suburbs, characteristic of American cities and to an extent in South Africa, has been exacerbated by certain environmental factors such as crime, grime, security and mobility. Under-investment in downtown areas and immigrant enclaves resulted in a form of polarisation, whereby the wealthy elites migrated to the safer, cleaner suburbs and, in many cases, took retail and business with them (Garreau 1991). Fears of rising crime have certainly contributed to decentralisation, both residential and office. Attempts at revitalising inner city areas have often focused on high-value developments, which exclude the majority of inner city residents. This has been the case in London and New York, as well as many other major cities (Hall & Hubbard 1998).

South African cities have undergone a significant transformation over the past ten years, with racial integration and economic change playing a vital role in the restructuring of inner cities. Apartheid planning, which forcibly isolated sections of the population from opportunities in economic, social and cultural spheres has now given way to a more

integrated approach, incorporating issues of community representation and urban governance in a democratic society. What has traditionally been seen as 'decline' in many of the major urban centres in South Africa, could be more accurately referred to as 'restructuring', *"a logical consequence of, and response to, broader changes and dynamics such as the changing demographics in and around inner cities"* (Metroplan 2000:2). Particular emphasis amongst academics has been placed upon the changes occurring in Johannesburg CBD, with business flight to the outlying suburbs of Sandton and Midrand, and a corresponding high rate of office vacancies within the CBD.

Surveys on office vacancies in the centres of Johannesburg and Durban have shown significant increases in the past ten years (SAPOA 2000 in Viruly Consulting 2001), and this is due to a variety of reasons. It has been suggested that issues of crime and the rise of the informal economy have altered the perception of the city by business, along with the longstanding issues of parking and traffic congestion, which continue to be problematic in terms of accessibility.

However, the growth of high-technology belts, such as Midrand may not solely be a direct response to the restructuring of the inner city, but rather as a result of growth in new economic service activities, which demand alternative locational patterns. Access to strategic transport networks and proximity to similar companies are clearly important to the location of such businesses, along with the desire for a more attractive open environment. The fashion, or trend for office parks outside the inner city mirrors that of international developments, and will undoubtedly continue to grow in the South African

context if environmental factors are not tackled.

Problems arise in ascertaining to what extent the relocation of business out of the inner city has been as a result of certain environmental conditions, or whether it is the choice of new emerging companies to locate in certain areas, as a response to economic trends happening on a broader scale.

Outlined below are the main themes to be analysed in this dissertation:

1.1 Research Topic – This dissertation will assess the current economic trends shaping cities internationally, including the changing nature of work and the rise of the information and service sectors, and how this has affected the spatial environment. Office decentralisation is a major component of the spatial changes occurring throughout cities in the developed and developing world, and in the South African context has arisen due to a variety of reasons, which will be examined in this dissertation. The two cities highlighted as case studies are Glasgow and Rotterdam, both port cities, historically linked to the manufacturing sector and experiencing changes in the nature of the economy and spatial environments.

1.2 Research Question - What are the processes underpinning spatial change globally and in the city of Durban, and is this restructuring a response to economic trends

constraints set by a developing country in the pursuit of economic growth. The object of this dissertation is to assess whether the current trend towards decentralised office growth is as a result of inner city restructuring and environmental factors, or a general economic and spatial trend.

1.5 Chapter Outline

The dissertation is divided into five chapters. Chapter One outlines the main tenets of the dissertation; the research question and hypothesis, which this paper sets out to test. Chapter Two outlines the research methodology used. The third chapter examines the economics of city restructuring, including the transformation of work in terms of location, through theories of Post-Fordism and globalisation. Chapter Four looks at spatial change within cities, providing case studies of Glasgow, Rotterdam and Johannesburg. The fifth chapter focuses on the issue of inner city decline in South Africa, focusing on Durban, and the processes underpinning this decline. An analysis of office decentralisation in the Durban area is included in this chapter, drawing on empirical work. The aim of this chapter is to investigate the current trend towards decentralised office development, with emphasis on the Umhlanga/La Lucia ridge area to the north of Durban. The concluding chapter brings together the main themes of the dissertation, and highlights further areas for research.

1.6 Concepts

The City, Inner City and Central Business District –

The definitions of the parameters of the city are often categorised according to the notion of the inner city, and the CBD. We need to make it clear which phrase is most appropriate in this context. The Central Business District (CBD) refers to the core of the city, or *“the highest order commercial centre. This commercial centre is dominant over all others, because it has a greater array of functions, a more diverse mix of functions, more functional units, and a larger trade or service area”* (Northam 1980 in Metroplan 2000).

However, the concept that there is only one CBD is beginning to lose credibility in the wake of the dramatic advances in technology and information communication. According to Sassen, this notion can now be questioned in the changing light of a network of globalised cities, with the *“central business district in the major international business centres profoundly reconfigured by technological and economic change”* (Sassen 2001:333). As she points out, the new CBD is really an expanding network of nodes, with intense business activity occurring in each node.

The use of the phrase ‘inner city’ is often used interchangeably with that of the CBD, but I would add that the inner city encompasses the residential component of the city, as well

as peripheral business nodes. For the purposes of this dissertation, CBD will be used.

Economic processes-

The shifts from a manufacturing economy in the developed world, and the rise in importance of the service sector and information technology, have been the main economic processes to alter the global economic environment in the twentieth century. The Keynesian model of economic growth, which dominated the period spanning the 1930's up until 1970, saw unprecedented prosperity and stability in the global economic environment. With the oil crisis of 1973 and the subsequent rise in inflation, the world's economy was forced into a restructuring process with privatisation and deregulation dominating this change. Along with the structural changes in capital and production, rapid advances in information technology and communications meant that globalisation had now taken hold. According to Castells, "*technological innovation and organizational change, focusing on flexibility and adaptability were absolutely critical in ensuring the speed and efficiency of restructuring*" (Castells 2000:19).

Information mobility and speed ensure that transactions can now occur at an increasingly rapid rate, a factor, which has transformed the financial markets, in particular. It has not only revolutionised the way in which business is conducted, but also transformed the nature of work. Computer technology and communications necessitate high levels of skill, which have been achieved in Japan and the East Asian societies, but are a distinct problem for many developing countries. Just as the world becomes global, the "*great*

uncertainty produced by this more complex environment militates against any except those institutions with considerable resources and continuous learning capacity” (Amin & Thrift 1995:94).

Thus, the new global economy is a web of interlinking transformations in the political, economic, cultural, technological and spatial environment, the enormity of which are beyond the scope of this dissertation. However, the major economic processes; restructuring of firms, repositioning towards new markets will be analysed, in order to assess what impact they have had on our spatial and built environment internationally and in South Africa.

City restructuring-

“Urban analysts are tending to abandon earlier efforts to construct input-output models for cities and instead are focusing on cities as centres for the generation and transmission of knowledge and co-ordination of multiform but related activities” (Freund & Padayachee 2002:5).

The concept of city restructuring recognises the extent to which cities have adjusted to the changing economic processes in a globalised marketplace. In historical terms, the CBD was the focus of important transport and communication links, as well as providing the main retail activities for an increasingly urbanised population. With the rise of the

automobile and the decline in importance of manufacturing, consumers have become less reliant on the CBD for retail and commercial activity.

The restructuring of the economy has been accompanied by a restructuring of space. Cities in the United States have exemplified the changes in spatial form most dramatically. During the 1950's, residential flight from the city began to occur, and as residents moved out of the city, suburban shopping malls grew and inner city decline set in. Issues of crime, race and grime were inevitably raised, with populations moving to safer, cleaner suburbs. Consumer demands meant that retail also had to leave, and office development followed, leaving the inner city to face a set of different problems. This post-war phenomenon saw the urban core *"left with a residual mix of competitive sector firms, older industries, some luxury shops and hotels, key agencies of the state and finance capital, remaining corporate headquarters, and a bloated irregular marginal economy comprised of minorities and the poorest segments of the population"* (Soja 1983:198).

In the 1980's, the speculative boom associated with the Reagan and Thatcher eras resulted in widespread development and investment, with luxury apartments and riverside developments etc. taking place. It should be pointed out that this phenomenon is limited to a number of global cities, with considerable resources at their disposal. What it indicates is the changing nature of space in response to economic restructuring, from the city of the Fordist era to the Post-Keynesian city, one in which *"urban structures are required to maintain the flexibility so as to absorb a continuous spatial reformulation*

without losing their specificity and centrality” (Graafland 2001:21).

In the twenty-first century, the rise of the service sector has resulted in a revitalisation of central business districts in many European cities, and to a lesser extent in the United States, as financial and business services agglomerate. In fact, as Sassen points out, the rise of information and technology in developed countries has had the opposite effect than that imagined, i.e. that agglomeration is again occurring in inner cities (Sassen 2000).

Environmental factors -

Crime – The whole nature of city centre restructuring is located within a debate on environmental ‘push’ and ‘pull’ factors. Crime, safety and security have been high on the list of push factors for many businesses moving out of inner city areas, particularly in South Africa. The familiar pattern of inner city problems and disinvestment has often been linked to issues of crime, particularly in the United States, and the situation is similar in South Africa.

Traffic and parking

As with many other cities around the world, Durban's traffic congestion and problems of parking are always raised as a concern by business and customers alike. The increasing use of the car has resulted in severe traffic problems in places, such as Bangkok and Hong Kong, where jams occur on a daily basis. In South Africa, apartheid planning has meant that millions of township residents have to rely on trains and buses, which are often inefficient and prone to delays. More recently, taxis have replaced public transport as the preferred mode, hence the increasing congestion on the roads, as taxi operators compete for a lucrative form of business.

Office parks and exclusive developments offer easier and client-friendly parking, particularly as many of the office parks are built on a single tenant basis. Image, in business terms plays a crucial role, and the image portrayed by the CBD at the present time, not only in Durban, but also in other cities in South Africa, is relatively poor.

Grime

Issues of grime have often been raised as a primary area of concern for business in city centers, due to the high priority placed on image for clients. The state of buildings, in terms of repairs, painting and general maintenance in the city centres of South Africa, with the exception of Cape Town, has also been an area of concern. The problem of

absentee landlords and the fact that many landlords do not take responsibility for the upkeep of their buildings also tarnishes the image of the city in many areas. Pressure on services and infrastructure are evident, as more people move into the city to find work or residence, indicating the need for adequate rental housing to be provided.

Informal economy

The informal economy in South Africa and the developing world is growing at a phenomenal rate, and will continue to grow with the migration of populations to the cities. In many developing countries, it is estimated that the informal economy contributes between 40 and 60% to city employment (Harrison 1990:200), and has huge potential for economic growth. *“Indeed, the prevalence of the informal sector within the inner city could be construed as much as a solution to urban problems in South Africa rather than a problem in its own right”* (Metroplan 2000:10). With few skills and little capital, the poor rely on the informal economy to survive, and it is in the cities of the developing world that they can ply their trade, having little or no access to the modern, information-driven economy of the globalised world. *“There is precious little contact between the two”*; the modern economy serving the privileged and the informal economy serving the poor (Harrison 1990:201).

As cities grow with the influx of people from rural areas, the informal economy will continue to play an important role in the household strategies of city dwellers. In Durban, it is estimated that the informal economy contributes 7.3% to the province’s GGP and

20% to employment (DPSU 2000:15), and comprises of mainly retail and trade activities.

The presence of hawkers on city centre streets has posed some problems in terms of image for other retail traders and business. However, it has not been viewed as the major concern of most city centre businesses (Davies et al. 2000)

Chapter Two

Research Methodology

In conducting research, the question of which tool to use is vital to the understanding of the research topic. The tools used for research are extensive, ranging from qualitative to quantitative methods and have recently begun to include more participatory approaches in order to gain deeper, and in some cases more gender-sensitive views. Whereas quantitative research “*attempts to establish causal associations among objectively specified variables through testing hypotheses derived from predictive theories*”, qualitative research on the other hand “*is committed to understanding the unique experiences of the individual from his/her perspective of the social world by seeking to develop shared meanings*”. (Pernice 1996:339)

The methods used for quantitative and qualitative research differ:

Quantitative methods, usually surveying and questionnaires, are widely used in research, particularly in the fields of employment, i.e. the informal economy. They “*involve the precise measurement of variables and the collection of data under standardized conditions from a randomly selected sample*” (Pernice 1996:339). In qualitative research methods, data is collected through in-depth interviews or observation and participation.

This allows the researcher to use more informal techniques to probe the interviewee or community. There are limitations to both types of analysis, which will be outlined below.

The research methods used in this dissertation combines both quantitative and qualitative techniques, with case studies, e-mail questionnaires and in-depth interviews. Case studies were used to illustrate the similarities between international trends and those of South Africa, and to highlight some important policy issues for the city of Durban.

Literature Review

Access to secondary sources forms a key part in the research of this dissertation. There is a substantial amount of secondary sources available on the nature of cities and the debate around cities in transition. Probing the literature on this subject, the researcher can outline any gaps in the current literature, and see which theories and principles have been influential in shaping the approach adopted.

For the purposes of this dissertation, international and South African authors were referred to, along with the Internet for data and articles. One of the primary sources for research on cities and spatial change in the past two decades has been Castells, who has published at length on the nature of the urban form and the sociological impact of urbanisation. The works, *The Informational City* (1989) and *The Rise of the Network Society* (2000) were used extensively in this dissertation. This particular research looks at

the changing nature of work in the information age, and how this is affecting the spatial environment. It mainly focuses on the developed world, and briefly outlines the emerging megacities of the developing world. The point of entry for much of the research in this dissertation is English and American literature on the subject of cities, followed by a review of South African literature. Statistical work was also used; World Bank data, Economic Reviews and Profiles of Durban.

There is a substantial body of work on South African cities, and the changing nature of urbanization and urban form. There are however only a number of authors, who have written on the subject of office decentralization, and this was found to be limiting for research purposes. It also highlights the gaps in literature in South Africa, which currently need to be probed further.

Research on the city of Johannesburg is widespread: Goga has written a PhD thesis (forthcoming) on Johannesburg's CBD, decentralisation and the property market, which had a direct influence on the departure of many major companies out of the CBD during the early 1990's. Her work was consulted for this dissertation. In an article on Johannesburg, Tomlinson (1997) has investigated *"from exclusion to inclusion: rethinking Johannesburg's central city"*. Owen Crankshaw (1995) has written extensively on inner city decay in Johannesburg, and Alan Mabin (1995) has written numerous articles on the nature of the post-apartheid city, and the challenges faced in overcoming fragmentation. Morris (1997) looked at the state of *"Physical Decline in an inner city neighbourhood: A case study of Hillbrow, Johannesburg"*, and Murphy (1997)

has written an article on "*The geography of commercial and industrial spaces on the central Witwatersrand: reinforcing the shape of the Apartheid city*". There were also a number of papers published for the Urban Futures Conference held in Johannesburg (2000), which dealt with inner city decline and revitalization.

The literature on Durban and recent developments in the city is still quite sparse, although Professor J. McCarthy of the University of Durban-Westville has written widely on decentralisation and the changing nature of business in Durban. His article, "*The restructuring of business in Durban*" (2000) looks at business trends internationally and how Durban situates itself within this context. Davies et al., investigated office trends in Durban, which was consulted for this dissertation. A number of dissertations have been written on the subject; B. Day, (1998), entitled, "*Is Durban Central Business District Declining?*" K. Gounden (1999) "*Distant Decentralised Office Parks: A Case Study of the La Lucia Ridge Office Estate*", and Maseko (1994), "*Growth of suburban office space in Durban: The case of Westville*". The Monitor report (2000), an extensive study of Durban's economy, "*Durban at the Crossroads*" was also consulted, although it should be pointed out that one of the major limitations of this report was its' failure to address the issue of decentralization and the growing importance of La Lucia ridge as an economic node in the Durban area.

There is also a forthcoming book edited by Freund and Padayachee, called *Durban: South African City in Transition*, which offers a collection of essays on Durban and highlights the nature of a city in flux. The introduction to this book stresses the point that

“Durban is a distinctive and remarkable place in which to test propositions about the significance of change in the city” (Freund & Padayachee 2002:2).

There is still a gap in knowledge about how the developing world’s spatial environment is adjusting to the globalised economy and what similarities can be drawn. I found that, although the literature exists on office decentralization in South Africa, it is an area of research, which needs to be developed. In this instance, case studies from Rotterdam, Glasgow and Johannesburg were used in order to highlight the problems of adopting a first world approach to the spatial environment in South Africa. I hope to add in this research paper, additional knowledge on the economic trends, which are now emerging in South Africa, and how this is affecting the spatial environment.

Case Studies

A case study has been defined as *“a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”* (Robson 1993 in Sharp 1998:785). The case study approach allows the researcher to contextualise the issue, providing insight into the topic in a particular time period. It is widely used in anthropology, whereby communities and social situations can be analysed over a period of years. Critics of such an approach claim that generalisations are easily drawn: in this dissertation, one could state that, the spatial and economic environment in Rotterdam has little significance or relevance to that of Durban due to historical, cultural and economic factors relating to the pressures of a

post-apartheid city. However, it is not the intention to draw detailed policy comparisons, which are readily transferrable to the case of Durban, but to show that the processes occurring in other world cities are indeed similar, spatially and economically within a particular context. Similarly with Glasgow, the decline of this port city and the interventions made in order to arrest what was potential decentralisation are instructive for the Durban environment.

La Lucia Ridge office estate was chosen as a case study for Durban, as it exemplifies the fastest growing business node in the Durban environs. In order to conduct a survey of office decentralization, and the reasons why business has relocated to the area, Braby's Business Directory was consulted to attain a list of ten companies currently located in La Lucia Ridge. These are listed in Appendix 1.

The sample consists of ten corporate companies, which were chosen as indicative of the type of business now moving to the area, and they are noted for being the top ten major corporate companies in their particular fields, i.e. insurance, services, computers and logistics. Two of the companies surveyed, Unilever and Illovo could be categorized as manufacturing companies, but their regional headquarters are based in La Lucia (or will be in the case of Unilever), and offer a service function. It was felt that the larger corporate companies would give a clearer indication of whether changes in the nature of work were part of their reasons for decentralizing, or whether it was a matter of new building requirements. For this reason, only ten companies were chosen. For instance, in the case of Unilever, established in the city since 1904 and now moving to La Lucia, new

spatial requirements as well as company restructuring were catalysts for the relocation decision (E-mail Survey, 2001).

E-mail questionnaires

A standardized questionnaire was formulated to ascertain why some of the major corporate companies had moved out to the La Lucia ridge area. A set of 17 questions was compiled and e-mailed to 10 companies (See Appendix 2). These questions differ from those of the personal interview, and were only directed at the ten companies. The e-mail questionnaire investigated:

- The reasons for location in La Lucia, rather than the CBD,
- Whether the changing nature of work and technology played a role in their location,
- What were considered to be the main advantages and disadvantages of La Lucia ridge,
- What environmental factors impacted on their decision to locate in the area?

This particular technique was useful in some respects, in that it proved to be difficult to get telephone interviews with people in these companies and thus, e-mail was a preferred method of response. All ten companies were contacted initially in order to find out who

in the company would be most aware of the issues being investigated. The e-mail questionnaire was then sent out to that person, and follow-up calls were made.

E-mail research had a number of disadvantages, namely; it often took respondents some time to send their replies, and in some cases didn't come back to me at all. All ten eventually responded. Secondly, in some of the responses, not all of the questions were answered satisfactorily, and could have perhaps been more in-depth. When this occurred, follow-up questions were asked over the telephone in order to gain a satisfactory response.

This particular format did provide a survey of the companies in the area; their reasons for locating in La Lucia and Umhlanga, and changes in the nature of their work. With the time constraints of management in these companies, it was the most reliable form of research available.

Personal Interviews

“Verbal response to direct questions, whether a highly constrained choice from a small set of alternative answers or a lengthy open-ended description of the respondent's thinking – are the most widely used source of data” (Judd et al. 1991:201).

In the context of everyday life, verbal communication is one of the most effective ways of accessing information. Language is a powerful medium, which allows personal and

behavioural elements to shine through, and in this regard, can be a vital aspect of investigating attitudes and experiences. However, there are also disadvantages to the interview technique, in that the respondent may be unwilling to disclose certain information if not probed about it, may try and present a more positive approach than normal, or may simply take a disliking to the interviewer. The structure of the interview, the initial opening and atmosphere of the interviewing location can all have a bearing on the outcome of the interview process, and the way in which the interviewee responds.

The interviews conducted in this particular instance were semi-structured, allowing a more informal approach with open-ended questions. I interviewed two officials from Durban Metropolitan Council; Sarah Braude, who is Assistant Director of Planning for Durban North Entity, and Mike Andrews, Director of Development Facilitation for the Development and Planning Services Unit for the city of Durban. These people were interviewed as they have direct first-hand experience of the changes occurring in the La Lucia Ridge area and the CBD respectively. I compiled open-ended questions for my interviews, and the questions differ according to the respondent's position (See Appendix 3 & 4). Where there was the opportunity to probe responses further, I did so, but for the majority of the interview it was the respondent who spoke. In this way, I was able to glean information on other issues and gain a personal perspective on the research topic. Tapes were used in all interviews.

The advantages of asking open-ended questions are such that it allows the respondent to mention issues, which the researcher may not have asked in a close-ended question

3.0 International city trends and spatial change

The current processes shaping the economic and spatial form of cities are rooted in a fundamental shift away from Keynesian economics to processes embedded in neoliberalism and globalisation. Theories surrounding these shifts in the global economy are varied and encompass concepts of Post-Fordism, flexible specialisation, Toyotism, globalisation etc., and reflect the increasing diversity of the modern economic environment. The changes, which these theories attempt to explain focus on the nature of production, the flexibility of the production process, and current trends towards innovation. They have arisen out of a decline in manufacturing output, rapid advances in technology, the rise of the service and financial sectors, changes in the labour market and the emergence of major trading blocs (Harrison 1994). The demise of the manufacturing industry in many large cities around the world has been the catalyst for spatial change, with an emphasis on office decentralisation and the rise of suburban office developments, office parks and the emergence of a small business economy.

Similarly, the shift in emphasis “*from the city as the hub of a dense, place-based web of relationships to the city as locus of overlapping webs of relations on diverse spatial scales, from the neighbourhood to the globe*” (Amin & Thrift 1995:101), has changed the way we both work and live.

This changing nature of space in cities has arisen as a result of significant transformations in technology and industrial capitalism and manifests itself in the fragmentary nature of

the contemporary city. For Castells, the term “space of flows” symbolises the rise of the service sector and information technology, underpinning new forms of spatial change in cities globally. Evidence from the advanced industrialised countries suggests a significant increase in the service sector as an overall share of employment and Gross National Product (Castells 1996:410). This has been accompanied by an alteration in urban form.

This has resulted in a debate on the inner city, the changing nature of the work environment, pressures of crime and grime and the desire for safer, cleaner suburban neighbourhoods. In the United States in particular, there has been a move away from what are seen as the ghettos of the inner city to suburban locations. In the process, “ *so called edge cities on the outskirts of the city became increasingly self-sufficient with people more likely to commute between these areas than to the core city itself*” (McCarthy 1997:2). Consequently, American inner cities have suffered, through under investment and stigmatisation.

Elsewhere, cities such as New York, Los Angeles and Tokyo have become leading centres in international finance and commerce. For Beauregard, the built environment of these powerhouses of the global economy has also changed: “*Industrial areas have been transformed: heavy industrial districts replaced by overlapping production complexes. Decayed inner city neighbourhoods have been gentrified. Immigrant enclaves have emerged to serve the workers and firms of the advanced service sector, and central business districts have become increasingly specialised in international business and financial services*” (Beauregard 1991:91).

This chapter seeks to analyse this spatial change in the context of economic development and the theories of Post-Fordism and flexible specialisation.

3.1 The Economics of Spatial Change: -

Post-Fordism and deindustrialisation

“The rise of the Post-Fordist metropolis has been an integral part of the development of the post-modern city... the implications are clear: industrial restructuring has had a dramatic impact on the urban economy” (Soja 1997:130).

In the 1970's the Post-Fordist era marked a definitive break from the economic system known as the Fordist era, characterised by mass production and standardised products. Transformations in the organisation of production, including Just in Time production, outsourcing and Toyotism have signalled a shift in the way labour is organised, how markets are accessed and products delivered, creating more volatile and competitive environments.

The shorter production runs, characteristic of the Post-Fordist period, were developed along with rapid advances in information technology, resulting in a more accurate system of production. It also meant that greater attention could be paid to variations in consumer demand (Smith 1993). In short, the introduction of Post-Fordist production methods had a

profound effect on manufacturing and employees, with “*smaller but highly skilled workforces (the very antithesis of the large Fordist plants), capable of performing different specialised jobs*” (Mahomed 1997:18). Changes in consumption and the increasing use of computerisation in the workplace resulted in an entirely new mode of production and organisation of firms.

3.2 Manufacturing sector

The present global economy has experienced a number of cycles, which have culminated in the present global cycle of high-technology goods and services. In its wake, the agricultural sector in particular, and to a lesser extent, the manufacturing sector has experienced declines in productivity. Castells has looked at the numbers associated with manufacturing employment in the developed world over two periods; that of 1920-1970, and 1970-1990. In the first period, agricultural employment declined dramatically and manufacturing increased: in the US, manufacturing employment rose from 24.5 per cent in 1930 to 25.9 % in 1970, whilst in Japan, it rose from 16.6% in 1920 to 26% in 1970. In Germany, it increased from 33% o 40.2% for the same period (Castells 2000:252).

In the second period, from 1970-1990, Castells gives figures, which show that manufacturing employment fell in most countries. In the UK, from 38.7% to 22.5%, in the US, it fell from 25.9% to 17.5%, and less dramatically in Japan from 26% to 23.6% and Germany from 38.6% to 32.2% in 1987 (Castells 2000:252). However, this decline

does not necessarily mean, as Castells points out, that manufacturing no longer plays a significant role in the global economy. In fact, there is an argument (Cohen and Zysman 1987), which suggests that many services *“depend on their direct linkage to manufacturing, and that manufacturing activity is critical to the productivity and competitiveness of the economy”* (Castells 2000:220), and *“feeds the growth of the producer services sector”* (Sassen 1995:66).

It is location, which no longer holds such importance: *“this is yet another meaning, or consequence of globalisation: the growth of producer service firms headquartered in New York, London, or Paris can be fed by manufacturing located anywhere in the world, as long as it is part of multinational corporate network”* (Sassen 1995:67).

The latest World Bank statistics reveal that the decline in the manufacturing sector has somewhat stabilised. In the UK, industry as percentage of GDP declined in 1995 from 28.7% to 27.5% in 1999. When looking at Sub-Saharan Africa, figures show that industry has fallen from 34.8% to 32.4% in the same period (World Bank 2001).

3.3 The rise of the service sector

Castells, in his review of the manufacturing vs. service debate, distinguishes between distributive services, i.e. communications and transport, as well as retail and wholesale activities, and producer services, *“the providers of information and support for the increase in the productivity and efficiency of firms”* (Castells 2000:227).

In terms of the figures for service employment, there are signs that this area is increasing at a rapid pace. In the UK, employment in producer services rose from 5% in 1970 to 12% in 1990; in the US from 8.2% to 14%. Japan and Germany on the other hand show similar patterns in the service sector, with their shares of employment in this area increasing from 4.8 to 9.6% and 4.5 and 7.3% respectively (Castells 2000). *“As a trend in the 1990s, the majority of the population in all G7 countries was employed in services”* (Castells 2000:225).

In the World Bank data profile (2001), services are defined as wholesale and retail, transport, government, financial, professional and personal services such as education, health care and real estate services. Their figures for the world indicate that services as a percentage of GDP has risen from 61.6% in 1995 to 63.4% in 1998. The statistics for South Africa show an increase from 61.3% to 63.7% for the same period. What we are seeing in effect is an increasing share of countries' economies given over to the service industry.

The rising dominance of the service sector in many developed countries has resulted in a concentration of activity in the major centres, such as London, Paris, Frankfurt etc. According to Sassen, "*the Paris region accounts for over 40% of all producer services in France, and over 80% of the most advanced ones*" (Sassen 2001:336). The same applies to cities such as New York, which is "*estimated to account for between a fourth and a fifth of all producer services exports though it has only 3% of the population*" (Sassen 2001:336).

Economic restructuring in the form of plant closures and the rise of the service sector has resulted in a change in the consumer make-up of cities, with an expansion of smaller firms catering to the demand in high-priced customised services, such as delicatessens, coffee shops etc, and on another level, the increased demand for low-cost services and products by an expanding low-income population (Sassen-Koob 1987). This can be explained by the transformation in the different sectors of the economy. This "*shift to a service economy entails a much larger share of low-wage jobs than is the case with a strong manufacturing based economy*" (Sassen-Koob 1987:140). The dominant requirement for cities coming into the twenty-first century has been one of adaptation to the changes occurring, not only within the working environment, but also to changes in our social and cultural spheres.

The term flexible specialisation has been used to explain the increasing diversity of present production techniques, "*where innovation rather than stability is the requirement for competitiveness*" (Harrison 1994:10). Piore and Sabel define this concept as "*an*

epochal redefinition of markets, technologies and industrial hierarchies...a second industrial divide" (Piore and Sabel 1984:65). Transformations in market demands have led to the need for adaptability in a globally competitive and volatile environment, putting pressure on producers and workers to become highly skilled and flexible in an arena where profit was determined more by innovation than by low labour costs. Hence, *"there is growing competition between cities, localities and regions, competition within the spatial division of consumption, competition for command functions"* (Harvey 1990 in Amin & Robins 1990:29). As workers become more skilled, the need to be mobile becomes increasingly important.

The changes in global economic activity, and particularly the decline in manufacturing in the industrialised nations has undermined cities as centres of production, with emerging markets providing a more profitable base for investment. For some this has meant that, *"the internationalization of the world economy has eliminated the previous relative advantage for most advanced industrial countries including Britain: production is more efficient and profitable in newly industrialising countries"* (King 1990:229).

Marx, in the Communist Manifesto, predicted that the nature of capitalist production would result in the bourgeoisie trying to establish networks throughout the globe. *"It must nestle everywhere, settle everywhere, establish connections everywhere"* (Marx & Engels 1888:6). The expansion of the global economy arises as a result of changes in time, cost, speed and movement over space, as *"one of the principles internal to the logic of capitalist organisation of production is the annihilation of space by time and the*

reduction of spatial barriers” (Harvey 1985:40). With the globalised economy and the fluidity of communication, these spatial barriers have undoubtedly become less important. Thus, we see the early stages in theory of the present globalisation debate, and the effect it has on networks of trade, spatial boundaries of cities and issues of decentralisation.

3.4 The changing nature of work

The decline in manufacturing and agriculturally based employment, and the rise in the service industry has led to a change in employment and work patterns over the last fifty years. One consequence of computerisation is that companies are downsizing and there is also a concomitant change in skills demand: presently the demand for unskilled labour is decreasing, except of course in the service sector, but there is a growing demand for high-level skills. This cuts across traditional sectors like manufacturing, and includes the new knowledge-based industries. For Castells, “*the traditional form of work, based on full-time employment, clear-cut occupational assignments, and a career pattern over the life-cycle is being slowly but surely eroded away*” (Castells 2000:290).

Information technology has had a dramatic effect on the flexibility of work patterns, creating a different set of pressures and demands, and releasing workers from the repetitive tasks characteristic of the Fordist era. Particularly amongst the advanced economies of the developed world, and with the increasing dominance of multi-national

corporations, parts of the manufacturing process can now be ceded to developing countries where labour is cheaper, but where transportation networks are strong. *“The internationalisation of electronic manufacturing has led to the emergence of pervasive global sourcing networks linking the most diverse production activities and complementary services, irrespective of their geographic location”* (Ernst in Freund 1992:3). For unskilled workers in the industrialised countries, this has meant unemployment, as unskilled workers in industrialising countries at considerably cheaper rates can carry out the same production processes.

Castells and the Network Society

“As technological and organisational innovations have allowed men and women to put out more and better product with less effort and resources, work and workers have shifted from direct production to indirect production, from cultivation, extraction, and fabrication to consumption services and management work” (Castells 2000:243).

The detailed study by Manuel Castells on *“The Network Society”* explores the changing structure of employment in the information era. What has emerged from this research is the increasing importance of the service sector in the developed countries of the United States, United Kingdom, Japan and Germany. The latter, despite rapid advances in information technology have still retained a strong manufacturing base (Castells 2000). The effects of the information era on industry can be evaluated by various research

studies done. In manufacturing industries (Parsons 1987 in Castells 2000), automation has signalled a reduction in assembly line workers, whilst in the banking and insurance sectors (Baran 1985), routine tasks such as information services and telecommunications have been automated, resulting in changes in employee work structures. Thus, although *“a substantial number of jobs are being upgraded in skills, and sometimes in wages and working conditions in the most dynamic sectors, a large number of jobs are being phased out by automation in both manufacturing and services”* (Castells 2000:266). In South Africa, *“the trend is already strongly towards the shedding of unskilled labour and it could accelerate with computerisation in semi-skilled categories”* (Freund 1992:5).

The rise of producer, business and social services has signalled, according to Castells, a rise in professional, managerial and technical jobs (Castells 2000:244). Indeed, in the United States, it is projected that between 1992 and 2005, the fastest growing occupational group will be professionals, at 32.3 per cent. *“Service occupations, mostly semi-skilled are also growing fast (29.2 per cent) and they will still represent 16.9 per cent of the occupational structure in 2005”* (Castells 2000:239). Whether there is an increasing polarisation in terms of occupational structures is questionable according to Castells (Castells 2000).

Clearly in the developing world, this polarisation manifests itself in the expanding informal economy, which plays an important role in household livelihoods and the changing nature of the inner city. What we are seeing is a change in the level of skills

required for many jobs, including manufacturing, as automated processes play an increasingly important role, and the demands of the professional service sector require higher levels of education. On the global scale, the changes in information technology and the move towards a Post-fordist environment will have similar effects on the workplace. In South Africa, the debate concerns the extent to which the vast majority of the population are excluded from these occupational changes as a result of limited access to educational facilities and employment opportunities.

Education and high levels of skills will become increasingly important if countries wish to engage in the global economy. One result of the information age has been that *“automation, which received its full meaning only with the deployment of information technology, increases dramatically the importance of human brain input into the work process”* (Castells 2000:257). Machines can now take on the task of repetitive assembly-line tasks, previously carried out by humans, and as information technology becomes more sophisticated, human labour becomes increasingly expendable (Castells 2000). In the developing world, routinized tasks will continue to play a significant role, with the impact of multi-national outsourcing. Sub-contracting to developing countries in order to minimise costs is now an important part of the strategy of multi-national corporations.

Thus, the changing nature of the economy and work is having a dramatic impact on the structure of employment and the types of skills necessary to function in a service-based economy. The spatial responses to these changes will be explored in the following chapter.

Chapter Four

Spatial Responses to Globalisation

“Cities are spatial locations in a globally interdependent system of production and exchange. That global system is in crisis and transition. So the path a city follows in the future will depend upon the niche it comes to occupy in a changing international division of labor” (Hill & Feagin 1987:23).

The recent decline of the manufacturing sector, followed by a concomitant restructuring of labour and the labour process has led to the reshaping of space. Thus, particularly in the advanced industrial world, there has been a shift towards speculative development, the rise of office parks and the revitalisation of waterfronts in some of the major cities. Corridors and industrial districts have emerged, specialising in high-technology industries, communications etc. positioned in the spatial environment to make full use of certain criteria such as access, parking and local networks. Thus, as with neo-classical theory, *“issues of demand and accessibility are just as important in explaining the form of the decentralised city as they were in the 1960’s when agglomeration and accessibility to the center was the key”* (Bridge & Watson 2000:102).

The shift from Fordism to Post-Fordism, or to an era of flexibility and innovation has been accompanied by rapid urbanisation, changes in the political economy, urban governance and social and cultural transformation. During the 1950's and 60's, particularly in the United States, a period of suburbanisation took place in business and populations moved out of inner cities to cleaner, safer suburbs. Retail often accompanied this flight, resulting in a decline in central business districts and inner city areas. Since then, there has been a perceptible shift in the function of CBDs, with cities such as London, New York and Tokyo repositioning themselves as places of commerce, finance and entertainment. Although, these cities have traditionally been centres of the global economy, investment has been high due to elements of agglomeration.

In the past two decades, *“almost all the major metros of the advanced capitalist world have been affected by changes in the national and international economic system such that they have either attracted a surge of capital and well-to-do people or suffered from disinvestment and population withdrawal”* (Fainstein 1994:5). Why has this been happening? There are various reasons for the move towards office decentralisation; among them the rise of crime, informationalism, trends in real estate development. Garreau, in the classic work on American cities, sees the suburban sprawl as the inherent need of Americans to inhabit new frontiers (Garreau 1991). He named this phenomenon as the “edge city”, defined as, *“any place that a) has five million square feet or more of leasable office space – the work place of the Information Age...b) Has 600,000 square feet or more of leasable retail space...c) Has more jobs than bedrooms d) Is perceived by*

the population as one place...e) Was nothing like 'city' as recently as thirty years ago" (Garreau 1991:6-7).

The edge city has had a detrimental effect on the inner city, leaving ethnic minorities and the lower classes to inhabit increasingly run-down tenements. It has "*deepened the crisis of American cities, and made more difficult the management of an overextended infrastructure and of an overstressed society*" (Castells 2000:431).

McCarthy puts forward the case that the move towards suburbanisation in the northern cities of the United States "*was more associated with overall sectoral shifts in employment patterns within the national economy rather than the characteristics of the CBD or central areas per se*" (McCarthy 2000:12). It is suggested that the growth in professional and service jobs occurred in the suburban locations due to issues of access and "*particular competitive advantages*" (McCarthy 2000:12).

Detroit has become a classic example of inner city blight with a dramatic decline in its manufacturing base and subsequent high levels of unemployment, leading to decentralisation. As a leader in the automobile industry, Detroit housed names such as General Motors, Ford and Chrysler, but with the onset of the 1970s, the industry was in trouble and the "*inner city lost nearly 250 000 jobs and 20 per cent of its population*" (Hill & Feagin 1987:163). A reorganisation of production by the three auto firms led to sections of the production process being carried out in various parts of the world, leading to substantial job losses. Along with this industrial restructuring, changes in the spatial

form were also occurring as retail began to move to suburban shopping malls and the inner city was left to the poor, mainly black population (78%). Increasing polarisation between suburb and inner city has left “*some 30% of the population of the core city of Detroit suffering from poverty,*” (US Department of Housing and Urban Development 1995 in McCarthy 1997:3).

Attempts to revitalise the inner city with the construction of a Renaissance Centre, a waterfront hotel, office and commercial complex also failed due to a “*depressed downtown real estate market – the most salient indicator of the central city's weak position in the regional economy*” (Smith & Feagin 1987:167).

European cities have not followed the American path towards decentralisation so dramatically, as the central business districts of many of the major European cities continue to hold sway in terms of political, economic and cultural dominance. The professional upper classes are still likely to inhabit neighbourhoods in the central city, despite high prices, and there have been extensive moves towards gentrification of traditionally working-class neighbourhoods, particularly in the case of London and Berlin.

4.1 Case Studies

Glasgow

Glasgow is a good example of a city in transition, having experienced a dramatic economic decline in the 1980's, and now attracting investors and business back into the city. Once an important shipbuilding and engineering city throughout the 1930s, decline began to set in after World War Two and reached its nadir in the 1980's. Where once 250 000 manufacturing jobs were held, only 30 000 remain (Urban Age 1999). This dramatic drop in employment exacerbated the physical decline of the city, and investment in the city centre also declined (Urban Age 1999).

However, a concerted effort by the city to reverse this decline has resulted in Glasgow now boasting one of the highest concentrations in the service sector, with increases recorded both in tourism and employment. From 1961 to 1981, employment in the service sector rose from 48% to 68%. By 1991, that figure had risen to 77%. At the same time, manufacturing in the city shed 44% of its jobs (Pacione 1995:145). The service sector, particularly in the information technology field had the potential to start a rise in office decentralisation activity in the city, and to a certain extent this has occurred (Pacione 1995), with office parks located on the periphery of the city.

In order that decentralisation in the city did not result in a rapid decline of the CBD in terms of investment and the environment, the council embarked on a substantial inner

city revitalisation programme, which combined elements of building renovation to attract new office business into the city, and art galleries and museums to entice tourists and locals back into the city centre. What Glasgow has achieved since 1990 is a turnaround in the decline of its CBD, without inhibiting the growth of the service sector on the periphery of the city.

Despite the praise given to Glasgow as a city that has turned its fortunes around, there are those who do not see the policy of foreign investment as a panacea, and believe that local enterprise has suffered (Pacione 1995). They question the extent to which income levels within the city are narrowing as a result of the boom in the service sector. Indeed, the similarities to be drawn from this scenario for Durban are many, and a look at the successes and failures of Glasgow's policies would be pertinent for the city's policy-makers.

What business has realised, is that with competition between cities at a premium, companies can pick and choose their location, and seemingly value aspects such as, *“investment in infrastructure and human capital, promotion of smaller firms ensuring an adequate complement of business and financial service providers, articulation of a well thought out and clearly expressed strategic plan, effective governance and a supportive regulatory environment”* (Kresl 1995 in Begg 1999:806). Whether city councils have the capacity and long-term vision to fulfil these requirements is another question, one, which will become increasingly important if cities are to compete and grow successfully.

Are we looking at the decline of inner cities or simply a process of readjustment, which is in keeping with global economic and spatial trends? Office decentralisation in many European cities has not affected the CBD to such an extent that investment has declined, due to the historical nature of these cities. The rise of the service sector, as the case of Glasgow highlights is not necessarily linked to the decline of Glasgow's CBD. It has been effectively integrated into the city's policy process and now plays an important role in the city's development.

Case Study – Rotterdam

As with many other European cities in the late twentieth century, Rotterdam has had to re-orientate its spatial policies to compete successfully in the new economic order. According to McCarthy, *"the governing context of all European cities has shifted markedly since the mid-1980's, and increasing uncertainty in the context of greater competition has led directly to greater reliance on inward investment in local economic development"* (McCarthy 1998:338). The need to transform in the wake of economic change has led Rotterdam to follow a policy of entrepreneurial governance, with so-called 'place marketing' at the fore. In terms of spatial planning, the adoption of national, regional and structure plans at the local level have been bolstered by flexibility in the planning process and large-scale consultation and co-ordination (McCarthy 1998).

Rotterdam's planning arena has been adapted over the years to cope with changes in the city. During the 1940's and 50's, the port became the major focus of economic development, followed by housing in the 60's. In the 1970's, as with many other cities around the world, the inner city became the focus of planning policy, and currently the focus is on the image of the city (McCarthy 1998). Several key projects were put in place to revitalise the inner city, including housing projects, the development of the riverfront, and the expansion of cultural facilities. Particularly important was the development of the Kop van Zuid area (part of the inner city plan 1993-2000), whose previous port-related function has now been targeted for a mixture of residential, office and retail uses. The intention was to extend the inner city functions, and integrate two parts of the city. Municipal funding, along with a number of public-private partnerships financed large parts of the development, including transport links and housing projects (McCarthy 1998).

The Rotterdam initiatives have combined policies of urban design, co-operation between community members and councillors, and concerted efforts to address not only spatial demands but also issues of employment, affordable housing and accessibility through an efficient public transport system. Where once the emphasis was placed upon housing as the main priority of urban renewal, the focus has now changed.

The decline of the shipbuilding industry and the loss of 20 000 jobs (Graafland 2001:56) have been successfully offset by the expansion of office and retail space, along with the development of cultural and entertainment facilities conducive to the changing lifestyles

of the city's inhabitants. The city still has fairly high rates of unemployment compared to its European counterparts. In 1998, unemployment constituted 10.2% of the labour pool (Graafland 2001:72). As with Glasgow, the city has had to redefine the economic boundaries in line with global economic trends, and spatially expand the parameters of the city to create a mixed-use environment.

By adopting a 'compact city' approach to counteract the possibilities of decentralisation, Rotterdam has attempted to integrate a number of different uses with its municipality providing "*sustained commitment to the needs of port-dependent communities*", through employment prospects and social housing (McCarthy 1998:342). Criticism has been made at the lack of a coherent economic policy for the city, particularly in the light of the high unemployment rates, although improvements are starting to show in the telecommunications, the service sector, graphic industries and the media (Oosterman 2001).

Case Study - Johannesburg

Office decentralization in Johannesburg has been occurring at a remarkable rate, and is the most startling example of the restructuring process, which is taking place in South African cities. Johannesburg's image began to deteriorate amongst certain groups in the 1980's and 90's. This was primarily as a result of in-migration by different ethnic groups and the subsequent negative perceptions, which arose around this issue. However, in a

report on managing change in CBDs, McCarthy writes that “ *it is probably spurious to suggest that investor interest in suburban or corridor localities in South Africa today is either uniquely motivated by racial considerations, or by shifts in the class composition of downtown areas*” (Metroplan 2000:9). The changing nature of the built environment, changes in the nature of work, the rise of the informal sector, plus issues of crime and grime seemed to have played a more fundamental role in the decentralisation process.

On many fronts, the nature of the inner city in South Africa began to transform; in terms of housing and access to amenities, an urban migration of people, shifts to multiple land-use. The fashion for low-rise office parks began and resulted in a move towards decentralised locations, on the part of business and the wealthier white population.

As a result, the central city suffered from decentralization and disinvestments: “*By the mid-to-late 1990s, Johannesburg’s CBD had become regarded almost as a disaster zone by private sector investors*” (Metroplan 2000:6). Goga argues that office development in Johannesburg occurred at a time of low growth in South Africa as a whole, and business, particularly insurance houses and pension funds began to invest in areas where there was little development. “*Capital availability for property development in Johannesburg, arising from the specific macro-economic conditions within the country provided a necessary condition for decentralized investment in Johannesburg*” (Goga forthcoming: 22). The motives for decentralization, as Goga points out soon began to take on a “herd mentality” feel, as business began to compete for space in decentralized areas, on the

basis that they would be left behind in an uncompetitive, devalorizing marketplace (Goga forthcoming:13).

Many of the larger investors “*mothballed existing buildings – finding it cheaper to board them up, rather than to incur servicing and maintenance costs against declining rental income*” (Metroplan 2000:6). The age of buildings meant that the CBD was devaluing, and coupled with a fashion for high-tech, luxury office parks, the larger investors moved out and took the competition with them.

Therefore, disinvestment in the inner city of Johannesburg came about primarily as a result of changes in the built environment and the perception that decentralised areas were valorised. “*The CBD, as the past era of capitalist accumulation thus represented an area that imprisoned and inhibited further accumulation for the main investors. As such, it had reached the apogee of its accumulation and its investment capital was slowly devalorizing*” (Smith 1996 in Goga forthcoming:20).

A study of office vacancy rates in Johannesburg indicates the intensity of the problem. It is estimated that “*1.2 billion in high quality commercial space is standing empty in Johannesburg central city*” (Tomlinson 1998:3). According to the latest SAPOA office vacancy report for Johannesburg (December 2000), the CBD has vacancy rates of 19.9% for A grade offices, and 22.2% for B grade. Overall, “*vacancy levels in Johannesburg CBD have shown a small improvement over the preceding quarter, moving from 26.1%*

to 23.2% at mid-year. The CBD remains the node with by far the highest vacancy levels” (Viruly Consulting 2001).

A closer look at the returns of investment in the office market, captured by the South African Property Information Exchange report (2000), reveals poor returns for Johannesburg CBD. A return of –6.4% in 1998 and –11.4% in 1999 indicates the severity of the problem, capital growth in this sector, according to the report, *“has been negative for the past four years, recording –24.7% and –21.8% in 1998 and 1999 respectively”* (SAPIX 2000, in Viruly Consulting 2001).

Capital flight has meant that only three of seven large accounting firms retain head offices in the CBD, and six out of ten legal firms (Tomlinson 1998:7). Head offices continue to move out, the most high profile being the Johannesburg Stock Exchange moving to the northern suburbs. The area of Midrand, between Johannesburg and Pretoria has attracted many information technology companies, and continues to develop at a rapid rate. The Public Works Department has just backed a R2bn information technology park in the area, led by a consortium of black empowerment firms and a Chinese company (Viruly Consulting 2001). In terms of the changing nature of the economy, and in line with other technology belts internationally, Midrand has clearly established itself as an environment, where location in the CBD is no longer a critical factor. Similarly, the area of Sandton, to the north of Johannesburg, has created an environment, where investment is drawn mainly from the financial sector.

A new trend is also seen to be emerging in the spatial environment of Johannesburg that of decentralization from decentralized nodes. Companies are favouring other locations aside from Sandton due to increasingly high rentals and problems of traffic congestion, as reported in a recent article in Business Times (Business Times 2001). In its recently released SA Property Report for 1998/9, JHI states that, "*the decentralisation trend in Johannesburg's office market has been commented on and analysed for more than a decade, but the interesting trend to emerge has been the movement out of established decentralised nodes*" (Business Times 2001).

According to JHI, five or 10-year leases, signed in the Sandton CBD in the late '80s and early '90s, are not being renewed. Reasons include traffic congestion, high rentals, inadequate service provision and lack of extra space for expansion. Thus, environmental factors such as traffic play an important role in the changing nature of the built environment in Johannesburg. Financial services firm Ernst and Young are the latest company to move out of the CBD, and have chosen the new complex of Melrose Arch as their destination (Business Times 2001). This is a mixed-use development, with residential, office, and entertainment space, and perhaps signals the latest trend in the spatial environment.

Foreign companies continue to invest in Sandton due to its high profile status as the financial center of Johannesburg, but other companies are moving further north. For example, "*Deloitte & Touche, Unitrans and SA Druggists have moved to Sunninghill,*

while Sanlam, Unisys and Astra Pharmaceuticals have moved to Woodmead” (Business Times 2001).

Johannesburg has become the archetypal post-modernist city, with severe constraints inherited from its’ apartheid past. It consists of a number of networks and nodes, on the periphery of the city, which have realigned themselves with the changing nature of work and the built environment. Whether Johannesburg’s CBD has a chance of redeveloping and attracting private business investment is a debate, which will continue for some time. It is a city, which has suffered from disinvestment and poor image in recent years on the part of big business, internationally prestigious companies and financial institutions.

The research in this particular area shows that a combination of factors have contributed to the decentralisation of offices from the CBD of Johannesburg. Environmental factors come out strongly in the literature as the prime reason for relocation of business, but as Goga (forthcoming) points out in her research on property development, the property developers were the key drivers of change in the decentralising activity, which Johannesburg has experienced in the past 10 years. This has also been the case in Durban, with the influence of Morelands on the property development to the north of Durban.

As has been shown earlier, particular areas of Johannesburg (Sandton and Midrand) have grown as nodes of finance, information technology. In this sense, the changing nature of work has impacted on the spatial environment, in that companies no longer need to be

located in the centre of the city due to advances in communications and technology. In Johannesburg CBD, the issues of crime and grime have played a fundamental role in the large-scale decentralisation of business, with the retail and informal sector now taking prime position in the inner city. The shift in the consumer population and the desire for exclusive office park developments outside of the CBD seems to be an emerging trend in post-apartheid South Africa.

Chapter Five

5.1 Durban: The Post-Apartheid City

“The economic distress of inner cities may be the most pressing issue facing the nation. The lack of business and jobs in disadvantaged urban areas fuels not only a crushing cycle of poverty but also crippling social problems, such as drug abuse and crime. And, as the inner cities continue to deteriorate, the debate on how to aid them grows increasingly divisive” (Porter 1995 in DPSU 2000:1).

South Africa faces a peculiarly difficult scenario in the restructuring of its cities, in that it needs to racially and spatially integrate its citizens after a legacy of apartheid planning. Reallocation of resources, improvement of infrastructure and housing, access to services and amenities are a few of the problems facing government and planning organisations. South African cities, as Freund and Padayachee point out, possess a combination of trends occurring in developed and developing cities: *“They witness deindustrialisation and decentring as do so many Western cities, but they are also the site of massive squatter settlements and populations that fall outside the functioning of the ‘formal’ economy”* (Freund & Padayachee 2002:2).

Coupled with the issues surrounding the post-apartheid city, are questions of global competitiveness. The growth of information technology and rapid advances in communications has led to a closer integration of the world’s economy and a

globalisation of trade. For developing countries such as South Africa, the emphasis is now firmly placed on competing in this global marketplace, with the pressures and demands associated with a developing economy.

For the post-apartheid cities of South Africa, globalisation has meant increased competition with other cities and changes in the nature of production and work. *“Managing global economic flows, retaining and competing for fixed investment lies at the heart of a city’s economic role/function. In coming to terms with this role, cities will also uncover the means to address their developmental challenges”* (CDE 1996 in DPSU 2000:5).

The decline of traditional manufacturing and the growth of the service sector have had a profound influence on the restructuring process. In Johannesburg inner city between 1980 and 1994, at least 16 000 jobs were lost in manufacturing industries (Tomlinson 1998:7), a trend which looks set to continue. The formal economy has failed to absorb these unemployment levels, resulting in a burgeoning informal economy, mirroring the situation in many developing countries. People have become increasingly reliant on survival tactics, moving into the city centre to trade in goods and produce.

As a recent report on managing change in cities in South Africa shows, CBD’s, *“as locations within the spatial economy and social landscape of a city that are central to numerous severely fragmented and poorly connected enclaves of poverty and disadvantage, represent the most lucrative and accessible ‘market places’ for poorer*

sections of society” (Metroplan 2000:16). This has duly put pressure on central and local government to provide services and shelter for its city dwellers, constraining revitalisation efforts in the inner city.

As with American cities, the issues of crime and grime have been posited as two of the reasons for capital flight from South African inner cities, but research has shown that this only partially explains the move away from the Central Business Districts of the major cities. In a study carried out in Cape Town in 1998, respondents cited parking, traffic congestion, lower rental levels, nature of buildings and proximity to clients as the primary reasons for relocation to other areas outside of the CBD (Davies et al. 2000:38). Security was however high up on the list of priorities.

The major similarity between the international and South African context is the changing nature of production and the emergence of office park environments, such as Midrand in Johannesburg and La Lucia in Durban as part of the urban landscape. Office decentralisation has had a dramatic impact on the real estate and investment markets in the inner cities of South Africa. In the case of Johannesburg, major property owners in the CBD in the 1980’s, decentralised to locations such as Sandton to the north of the city, a trend which continues. It has left retailers in the inner city also in a difficult position. A 1998/99 report by JHI states that, *“the exodus from the city centre has also meant a loss of spending power from the area and therefore a loss of business for downtown retailers”* (Business Times 2001). In Durban, the growth of suburban shopping malls outside the CBD means that *“decentralised retail as a percentage of CBD retails is currently*

upwards of 62%” (Durban Economic Review 2001:28), and will increase with the construction of Gateway in La Lucia.

This chapter will look at the various reasons for office decentralisation in the city of Durban, and assess to what extent changes in the nature of work, economic trends and the environment have impacted on the decision of many businesses to move out.

5.2 Durban: Port and City

Unlike Johannesburg, which saw rapid decentralisation to the suburbs, Durban has retained many of its functions as a busy port city. Its position as the second busiest port in Africa has meant that Durban has played a historically important role in the passage of trade. Linkages to the port in terms of maritime office activity and logistics have resulted in a concentration of key economic sectors located within the inner city.

Despite the continuing commercial and business activity in Durban’s centre, the city is changing due to a variety of reasons. Durban has traditionally been a branch plant manufacturing economy, with headquarters based in Johannesburg, and boomed during the 1960’s under import substitution policies. Apartheid policies of import substitution and industrialisation resulted in, not only the replacement of imported goods with local products, but also saw the establishment of a number of industries, including chemical, textile, clothing, automotive, food and beverage and printing industries (DPSU 2000).

“ISI policies thus reinforced Durban’s locational competitive advantages as far as it lead to the growth of import dependent industries reaping the benefit of low duties on bulk inputs and tariff protection from higher value end products, which ISI industries aimed to replace” (Development Planning Services Unit 2000:20).

However, as the Monitor Report on Durban points out, the diversity and development of manufacturing industries under the umbrella of ISI policies, has resulted in a situation where *“few are sufficiently well developed and competitive enough to be able to penetrate global markets with sufficient scale and impact” (Monitor 2000:19).*

Indeed, in the past ten years, Durban’s role as a branch plant economy has declined, and by the mid 1990’s, Durban housed only 9% of the top company headquarters, compared to the 1960’s when Durban housed 19% of such headquarters (Rogerson in McCarthy 2000:5). In terms of manufacturing output, Durban continues to contribute a fundamental part of the province’s GDP, at 31.7% (Mercury 2000), and employs over a third of the province’s workforce (DPSU 2000:14). The main contributors to the economy, according to statistics compiled by Data Research Africa (1995) are manufacturing, trade, government, finance and transport.

Industries such as textiles have suffered however from cheaper imported goods, and will need to redefine their position if they are going to be sustainable. *“Much of the industry, despite apparently high levels of competitiveness, is in reality dominated by the demands*

of big retailers” (Freund & Padayachee 2002:7), and smaller firms are simply unable to enter into competition on this scale.

Coupled with the decline in manufacturing and the region’s inability to compete on a global level, Durban is failing to compete in the fastest growing areas of the economy, such as information technology, computers and microelectronics. According to the Monitor report (2000), Durban is under-represented in the finance sector. In fact the city is seeing *“a loss of share for its industries to other cities within South Africa, is not replacing capital and has not taken advantage of global opportunities”* (Monitor 2000:14).

A look at the economic review of Durban indicates that the number of firms in commerce, trade, tourism and services is on the increase (Durban Economic Review 2001). Firms registered in the Durban Metropolitan Area in 2000 by sector show that registered business and professional services amount to 25,618, with an annual turnover of R54, 761. Registered firms in catering, accommodation, wholesale and retail are 14,468, with an annual turnover of R58, 127 (RSC Levy Database 2000 in Economic Review 2001:11). All the economic signs indicate that the service sector is increasing its share in the provincial economy.

The decline in manufacturing and rise in services can be corroborated further from McCarthy’s research (1999 in Durban Economic Review 2001:11) on firms registered and liquidated in the period 1998-1999. The relatively slow growth of manufacturing

firms, 372 new firms and 177 liquidated can be compared to the phenomenal growth in the service sector, 2402 firms and 702 liquidated (McCarthy 1999 in Durban Economic Review 2001:11).

Changes in the nature of work and the rise of the informal sector provide clear indicators of where Durban's economy lies at the present time. Cutbacks in the larger companies have in some cases cut workforces by a third, Tongaat-Hulett group being a good example (McCarthy 2000:6).

However, KwaZulu-Natal is not unique in its experience of changing economic trends and its impact on the built environment. As noted earlier, the cities of Glasgow and Rotterdam also suffered from manufacturing decline, and experienced cuts in their workforce, indicating a global rather than developing world phenomenon. In Glasgow, *"there were only 55% of jobs in the inner city, by comparison with 67% in 1952"* (Metroplan 2000:14). In Durban, the process of manufacturing decline has not affected the CBD as substantially as the case studies highlighted. Key factors in the changing nature of Durban's CBD have been the environmental factors of security and traffic, and a trend in new office styles, which came out clearly in the research as a reason for relocation.

5.3 Current problems in the inner city

The Inner City Development Framework Plan (1998) for Durban highlights the following problem areas in the city;

- Decline in investment in the CBD
- Growth of crime
- Maintenance of services
- Fragmented local government

In a report for The Greater Central Business District Revitalisation Project (2000), Durban's Development Planning Unit put forward five major problem areas;

- ◆ Poor institutional conceptualisation of the area as a single entity
- ◆ Poor and uncoordinated operations management in the area.
- ◆ Unfocused and inadequate policing strategy.
- ◆ Lack of conception of the Greater CBD area as an economic node for the metropolitan area.
- ◆ Inadequate targeting of social strategies to deal with homelessness, street children and prostitution.

In essence, the issues faced are well known, and the foundation for many of the problems seems to be the vision for the present and future role of the city. The present Unicity local government structure has put together a Spatial Development Framework Plan, which highlights the major issues facing Durban as a city. It recognises the potential for increasing decentralisation to the northern suburbs, and puts forward proposals to arrest decline in the inner city. What many of the surveys carried out on Durban's economy, including the recent research done by the Monitor group (2000), and excluding the report by (Davies et al. 2000) do not address is why offices are moving out. The Monitor Report (2000) fails to mention the current decentralisation of key businesses to La Lucia Ridge and environs, and what impact this will have on the CBD. Taking into account the importance of La Lucia as an economic node in the city, the Monitor report can be criticised for this oversight.

Security

The image of the CBD in many people's eyes seems to have been tarnished by rising levels of crime in the city centre. 45% of respondents in a survey carried out by a group of consultants indicated that crime was of "*overwhelming concern*" (Davies et al 2000:17). CR Swart crime figures for the CBD show that although crime is high, the levels of crime went down in most areas in recent years (DPSU 1998:14). 1997 seems to have been a particularly bad year with high levels of crime across all areas, and as a result of this, a CBD action group was formed, along with more visible policing in the city

centre. In November 1998, a City Policing Forum was established, and by March 1999, a project using foot patrols was introduced in the Broad Street area (CCLS 1999:13). However, it continues to be of serious concern for business and customers alike, as recent newspaper reports suggest – Durban has one of the highest murder rates in the country (Mail and Guardian 2001).

In the empirical work carried out, questions put to the major corporate companies (Appendix 2), which have moved out, revealed that security for staff and of buildings was one of the major issues for their relocation. All of those interviewed stated that security constrained office activity in the city centre, and restricted freedom of movement for staff and clients.

Informal Economy

The burgeoning informal economy has also been a topic of concern for many businesses. A study carried out in 1997 for the Department of Informal Trade and Small Business Opportunities stated that, *“informal trade, in its current form, is threatening formal business in the Central Business District of Durban and encouraging their relocation to decentralized commercial complexes which are often embedded in middle and upper income suburban environments”* (Markewicz English & Ass. 1997:1). This sector does however currently contribute 7.3% to the province’s GGP and 20% to employment (DPSU, 2000:15), and will continue to play a major role in the provincial economy.

A survey done amongst businesses in Johannesburg showed that, although of concern, the informal economy was not a push factor out of the CBD, and a survey in Durban revealed that only 11% of people were seriously concerned about street hawkers (Davies et al. 2000:17). My company survey revealed that the informal economy was not a reason for decentralisation.

What became clear from the research undertaken in this particular dissertation in the form of interviews with senior city officials, is that the small business and informal economies will in the future play an increasingly integral role in Durban's CBD economy, as the nature of the city changes and restructures. Thus, strategic intervention is necessary in order for these sectors to prosper, "*as well as contribute positively to the upgrading and development of the central area*" (Markewicz English & Ass. 1997:63). Mike Andrews of the Development Planning Unit did iterate that the small business and informal sector would clearly play an increasingly important role in the CBD economy, and that the short-term economic strategy of the city is "*to tidy up street activity*" (Interview 2001).

Environment

The issue of new racial boundaries cannot be ignored in an analysis of the changing trends in the city. As the property market has changed, with the flight of whites from the city, the racial boundaries have been redefined. "*White business has flown from the centre city to reconcentrate in new select shopping centres while a whole new affluent*

in choosing Durban North and La Lucia. As Braude (2001) points out, many of the companies have control over security of their offices, and thus “ *the opportunity to do top-up servicing*” (Interview 2001). The majority of companies belong to property owner’s associations, which means that they can control this environment, regulate and manage their own security. In this way, a strong image is attained, and according to Sarah Braude, “*each company can define their parameters, and create their own corporate identity, which they can mould*” (Interview 2001). Six out of the ten companies surveyed revealed that image and a strong corporate identity was their primary reason for moving to the La Lucia area.

Clearly in this respect, environmental factors as opposed to economic trends and the changing nature of work are having a more pronounced effect on the decisions made by business to decentralise to a more aesthetically pleasing environment.

5.4 Office decentralisation in Durban

In Durban’s Central Business District, finance, real estate and insurance services still dominate, making up 32% of total office space, followed by business and professional services. (Davies et al. 2000:9) In Umhlanga/La Lucia, professional services dominate, consisting of 26% of office types in the area with finance, insurance and real estate at 22%, and business services at 18% (Davies et al. 2000:14), making up 66% of the economy.

One significant change in the CBD has been the departure of many large tenants to Durban North and La Lucia in particular; Deloitte and Touche, Illovo Sugar, Price Forbes, BOE, PQ Data and Robertsons Holdings (Davies et al. 2000:10). *“This shift has been powerfully fuelled by the commercial activities of the sugar and property giant Tongaat-Hulett, and is beginning to decentre Durban to an unprecedented extent”* (Freund & Padayachee 2002:12).

In a survey carried out by a group of consultants for Durban’s North & South Central local councils (Davies et al. 2000), the major reasons given by the larger conglomerates for a move out of the CBD, were security, grime, congestion and the need to attract the best employees.

My own research shows that, although security and traffic issues were among the reasons for decentralising, the design of buildings and image played an important role, and for six out of the ten companies surveyed, this was the primary reason for relocation. This was verified by the Assistant Director of Planning for Durban North, Sarah Braude, who stated in an interview that clearly corporate identity, was a key reason for the development of offices in the area. From her experience in dealing with these companies, the quality of environment, accessibility to clients and leasing agreements combined to form a package, which was unavailable in the city centre (Interview 2001).

However, in comparison to other major cities, Durban still retains a high percentage of centralised office space. According to SAPOA, “*Durban’s CBD remains the dominant location of office space within the metropolitan region, accommodating 71% of A and B grade space surveyed*” (Davies et al. 2000:6), the port in particular playing an important role in location decisions. Todes, citing Rode (1998) also suggests that, “*decentralisation has been limited by recessionary conditions and a shift away from property investments by major institutions, as opportunities to invest in international markets opened up*” (Todes 1998:11).

A closer look at office vacancy rates suggests that decentralisation is having an effect on space in the city. Mike Andrews of the Development Planning Unit put A grade vacancy rates at approximately 24% in the CBD (Interview 2001). The emergence of La Lucia ridge as high quality office space has certainly had an impact on the decentralisation of commercial activity out of the inner city, as Todes corroborates; “*Decentralised locations now account for 41% of A grade space, including developments presently underway*” (Todes 1998:9).

The following table provides an indication of vacancy rates for 1998 and 1999 (SAPOA).

Office Vacancies February 1998 and 1999 (SAPOA)

Area	Grade A	Grade A	% A grade	Grade B	Grade B	% B grade
1998	Rentable	Available	Vacant	Rentable	Available	Vacant
CBD	175 050	27 700	15.8%	568 500	76 170	13.4%
Umhlanga	22 200	1 100	4.9%	9 100	600	6.6%
Berea	33 800	1 015	3%	99 200	4 420	4.5%
1999						
CBD	57 961	4 175	7.2%	329 804	87 881	26.6%
Umhlanga	38 878	8 500	16.3%	20 659	2 172	10.5%
Berea	22 843	1 465	8.4%	42 951	1 486	3.5%

(Davies et al. 2000)

The latest SAPOA statistics (2000) for office vacancy rates in Durban's CBD show that A grade vacancy rates in December 2000 stood at 13.2%, compared to 11.9% in September of the same year. From the table of 1998/99 statistics above, A grade has experienced fluctuations in its' vacancy rates, going from 15.8% in 1998 to 7.2% in 1999, and then stabilising at around 11-13% in 2000 (Viruly Consulting 2001). Davies et al. point out in their survey that, *"of the 100 600 sq. of office space surveyed by SAPOA in Umhlanga, 71% is A grade space, whilst in the CBD, the downgrading of older buildings from A grade to B grade...has meant a reduction in A grade space in the CBD"* (Davies et al. 2000:25). The research carried out in this dissertation, from the e-mail survey carried out, is that all the companies required modern offices, i.e. A grade office space, and although this is available in the CBD, it is not of the style and image, which business requires. All the companies surveyed, indicated that the quality of offices in the La Lucia area was a prime reason for relocation.

The percentage of B grade office vacancy rates in the CBD on the other hand reveal a large increase; from 13.4% in 1998 to 26.6% in 1999, doubling in one year. For the period September to December 2000, vacancy rates went from 23.7% to 26.35% respectively (Viruly Consulting 2001), indicating that this particular office space is still experiencing high rates of vacancy. When we compare this to Johannesburg CBD for the period Sept-Dec 2000, we have seen that Johannesburg has experienced similar levels of vacancy rates of 23%. What the table also highlights, and was noted by two of the companies interviewed (Maersk Logistics and Combined Design 2001) in the e-mail

survey, is that office vacancy rates are actually increasing in the Umhlanga area, and could provide a future area for research.

According to Viruly Consulting (2001), commenting on the SAPOA findings, *“Umhlanga/La Lucia is the only node which is currently seeing new office development activity with 18,729 sq.m of space under construction – almost all of which is tenant driven”* (Viruly Consulting 2001). Clearly, La Lucia is a prime development node, increasingly attractive for major corporate companies and demand is still high for new construction. The area currently has a growth rate of 6% (Interview with Sarah Braude 2001). One of the companies interviewed (Maersk Logistics) stated that high rentals had been a factor in pushing out some of the smaller firms in Umhlanga Rocks, which could partially account for the levels of vacancy rates in the area. It should be pointed out that the high level of development activity in the area, led by Morelands, is also a reason for current vacancy levels.

Developers and investors have also been financially dissuaded from investing in inner city locations due to higher interest rates, and the need for buildings to be substantially pre-let before lenders would agree to lending policies. *“The larger developments in La Lucia ridge e.g. Price Forbes or Robertsons are structured around a single tenant in a stand-alone building, and even the more recent developments on the periphery of the CBD were structured on this basis”* (Davies et al. 2000:23).

It is a sign of changing building tastes and the difficulties associated with multi-tenanted office blocks that firms are locating in such office park environments. As Mike Andrews of the city's Development Planning Unit remarked, "*corporate image is not easy to achieve in a multi-tenanted building*" (Mike Andrews 2001).

In an attempt to attract investment in the city and stem the tide of decentralisation, the Kingsmead office park was developed. The initial plan, devised by the Council and a private developer at an estimated cost of R70.4 million (Markewicz 1997), envisaged six sites of low-rise rental accommodation in an attractive office park environment. The strategy, according to Mike Andrews, was to "*stem the flow of offices from the CBD*" (Interview 2001), but as yet, only two of the sites have been fully developed. For Andrews, the failure of Kingsmead to fulfil its initial aim has to be seen in the light of the overall stagnating economy. However, it does not explain, in the light of burgeoning office park developments to the North of the city, why developers are unwilling to stay or invest in this particular environment.

The question really centres around what sort of vision Durban has for the future, and as a number of planners pointed out in their interviews, there is a need to redefine the city in terms of the companies located there, what their requirements are, and what sort of environment they wish to work in. For Sarah Braude (Durban North Planning), the city needs to take a step back and redefine the role of the core. "*The decision is essentially, are we trying to bring the corporates back or redefine the Central Business District*" (Interview 2001).

For Mike Andrews (Development Planning Unit), the city needs to be far more aggressive in terms of who it markets itself to. The “*private sector must be able to elect where they locate in terms of opportunities*” (Interview 2001). The smaller operators are clearly increasing, and thus the focus now needs to be shifted towards this sector.

The trend towards low-rise office developments, apparent in Midrand, Johannesburg and in La Lucia, Durban, also signifies the decline in investment and appeal of large office blocks, such as the Old Mutual Centre. Half of the companies surveyed leased their buildings on a single tenant basis, and stressed that this was indeed important in terms of image portrayed to their clients. They further noted that the problem of large multi-tenanted office blocks in the CBD meant that a strong corporate image could not be established. Maersk Logistics (2001) on the other hand said that the office blocks in the CBD would not have deterred them from locating there: rather it was the surrounding environment; security for its staff and clients, and parking, which forced a relocation decision.

There are several large buildings in the city centre, which provide rentable space, and have now been leased to colleges of various descriptions but the overwhelming trend is for smaller businesses to move in. This has proved to be impractical and uneconomical, and “*with a nett loss of 30 600m² over the five year period May 1995 to June 2000, the prospects for leasing space in the CBD appear bleak*” (Davies et al. 2000:29).

Offices in the Durban area (Davies et al. 2000) have tended to “downsize” the space required for employees, as some will work from home or spend a large amount of time out of the office. In Durban’s CBD, the average office space for the older firms, amounts to as much as 1000 sq.m In La Lucia, the average office space is typically 250-500 sq.m (Davies et al. 2000), although the larger companies occupy much greater areas. Robertsons, for example, stated in their e-mail questionnaire (2001) that they needed to expand, and thus required additional space.

Three of the companies surveyed; Illovo Sugar, Scott-Wilson and Unilever, revealed that their companies had indeed restructured, the nature of their work had diversified with the onset of improved communication links, meaning that it was no longer a necessity to be in the CBD or close to the city centre. In the case of Unilever, the company is going through a restructuring process, which entails the consolidation of departments, and a reorganisation of employees. Their survey revealed that environmental factors and image played a more important role than the changing nature of work in their decision to move to La Lucia.

Evidence from the Economic Review for Durban (2001), and interviews carried out with planning officials, suggests that the service sector in Durban is clearly increasing. The emphasis has changed from traditional textile industries towards smaller businesses and entrepreneurs (Mike Andrews 2001). In Durban North, manufacturing exists to a certain extent in Mt. Edgecombe and Canelands, but the majority of industry is of a service nature, both professional and distributive, reflecting global trends.

5.5 A New Urbanism

Since 1996, there has been considerable building activity in the areas to the north of Durban, resulting in an edge city to the north of the city. Development in this area actually began in the mid-80's and peaked in 1997/98 with a 6% growth rate (Sarah Braude Interview 2001). The Morelands development of Umhlanga Rocks and the La Lucia Ridge office estate has attracted many businesses from the CBD. Many of the remaining major corporations in Durban *"increasingly migrated to the La Lucia ridge and Mt. Edgecombe areas, where the emphasis has been upon emulating the lifestyles available for example in Cape Town, Sandton, Australia and the U.S."* (McCarthy 2000: 6).

This trend has been followed by retail and other sectors, with the construction of the Gateway shopping centre and a proposed new airport (Todes 1998). Estimates place decentralised retail space at 3.1 times greater than retail space in the CBD, with the completion of Gateway, Pavilion and La Lucia expansions and Festival Mall (Durban Economic Review 2001:28).

It is certainly about creating a new lifestyle environment, or 'new urbanism' which incorporates residential, office and entertainment activities, as Gordon Hibbert of Morelands emphasises; *"The roll-out of Moreland's vision of keeping this area as South Africa's premier quality of life environment and our mission of making it one of the*

country's leading property investment areas ... is now plain for all to see" (Morelands 2001). Companies were not offered incentives (Sarah Braude 2001), and development has relied on market decisions and a natural clustering of activities, such as the service and information technology sectors. With the proposed La Mercy airport, it is anticipated that the logistics sector will expand in this area, along with new sunrise industries.

The overwhelming response from the research carried out is that the attraction of the La Lucia/Umhlanga node is around a package of interests. The ten companies interviewed in the e-mail survey outlined a number of prime reasons for locating their business in this area; (Appendix 2)

- The design and layout of buildings was considered to be very important for a particular image to be fostered.
- Leasing agreements, which were negotiable.
- Control over security issues.
- Information technology and high levels of communication mean that companies no longer needed to be in the city centre.

All the companies interviewed in the e-mail survey stated that the design and layout, particularly in terms of security for clients and staff, was extremely important. When questioned on the use of technology and communications, eight out of the ten interviewed stated that they no longer needed to be in the city centre as a result of these factors.

What we are seeing in effect is the expansion of the city, as Sassen (2001) indicates, into a network of nodes “*profoundly reconfigured by technological and economic change*”. The La Lucia area is part of the development of Durban as a city, but it is also responding to certain environmental and restructuring conditions. As Sassen states, “*the geography of globalisation contains both a dynamic of dispersal and of centralisation*” (Sassen 2001:328).

Morelands property group, which is a division of Tongaat-Hulett, has been instrumental in the shaping of development to the north of Durban. Land in this area belongs to the sugar company, and has been leased by Morelands for development, resulting in a close partnership between the public and the private sector. With the ongoing level of development in the area and continuing expansion, approximately “*30 000 permanent jobs were created, as well as a further 25 000 temporary jobs related to the construction industry*”. This represents “*8.7% of all jobs in the Durban Metro as recognised in the 1996 census*” (Morelands 2001:13). These very optimistic figures for employment in the area cannot be corroborated.

Research done by Professor McCarthy (2000) does show that there is also a high level of new activity in the region to the north of Durban, a product “*neither of retrenchment, nor of a former corporate management response to a changing policy environment. Rather, it is an extension of a fairly long-standing culture of entrepreneurship in Durban*” (McCarthy 2000:9). The table illustrates that a large percentage of the companies in La Lucia are in fact entirely new, with only 9% having moved there.

Origins of Enterprises in 3 Durban Areas

	La Lucia/ Mt. Edgecombe	CBD	Umbilo Road
Entirely new	77%	60%	65%
Moved here	9%	6%	10%
Always there	14%	34%	25%

(McCarthy 2000:10)

The table tends to give the impression that in situ birth rates explain the high percentage of new firms in the La Lucia/ Mt. Edgecombe area. Whilst this may be true to a certain extent, the table does not highlight that the major conglomerates; Deloitte and Touche, Unilever, Alexander Forbes, Maersk Logistics, made up a large percentage of CBD office space. For example, Unilever's move out of the Embassy and the Marine, will increase the amount of vacant office space in the CBD by approximately 19% (Davies et al. 2000:8).

What is perhaps more pertinent to the question of inner city redevelopment and continuing private investment in the city centre is the trend towards decentralisation, which the following table illustrates:

Decentralisation Trends in Durban

Year	Percentage decentralised
1990	14.76
1995	19.75
2000	29.12

(Source SAPOA surveys, in Davies et al. 2000:24)

The area refers to the Durban Metropolitan area, excluding Pinetown. The leap of 10% between 1995 and 2000 of companies decentralising is an indication of business trends towards new spatial environments, and dissatisfaction in some areas with current policies in the inner city of Durban. In addition to problems highlighted of crime, traffic congestion and parking, a very significant pull factor for companies considering relocation is the lure of single tenanted buildings, proximity to clients and similar business, and an attractive built environment. The research in this particular instance revealed that it was not so much proximity to similar companies that attracted them to the area, but the design, layout of buildings and overall image. All of the companies surveyed stated that proximity to similar companies was not a reason for relocation to the area.

Office decentralisation in Johannesburg has shown that crime and grime, and the growth of office parks were significant push and pull factors in movement of office activity. In

Durban, there are signs that similar processes are occurring with the decentralization of office and retail activity out of the inner city to areas such as Glenwood, Berea, Morningside and north towards Umhlanga and La Lucia. *"The CBD has reoriented to the large black consumer market, dependent on public transport, for whom it remains the most central location... It is an exceptionally vibrant market, despite images of decline and degradation"* (Todes 1998:9), and the CBD will continue to be the main destination point for the majority of Durban's population.

However, attempting to prevent office decentralisation may not be the answer to reversing decline in the inner city of Durban. The current fashion for office parks and more prestigious office developments is a sign of changing tastes in the built environment, and a move away from large, multi-tenanted buildings. The rise in services, information technology and communications reflect global economic trends, which are undoubtedly impacting on the current restructuring of cities. They will not be easily reversed by sudden policy initiatives in the CBD, and it is likely that development nodes, such as La Lucia will continue to expand in the light of a changing economy. The organisation of corporate companies, and the changing nature of work are not considered to be the reasons for decentralisation in the La Lucia area.

In Durban, the changing nature of the city is inextricably caught up with the post-apartheid era, and for the majority of corporate companies, this has unfortunately resulted in a perception of their environment as not conducive to efficient and identity-driven business.

Chapter Six

Conclusion

6.1 Global Economic Trends and the Restructuring of Cities

“We see emerging a new geography of the centre, one that can involve a metropolitan grid of nodes connected through advanced telematics. These are not suburbs in the way we conceived them twenty years ago, but a new form or space of centrality” (Sassen 1995).

The above quotation serves to illustrate the findings of this dissertation, and emphasises the extent to which the globalised economy is changing our environment in terms of location. Location in the form of the CBD and its traditional historical role as the centre of all business and retail activity no longer applies. Business nodes, according to Sassen (2000), are replacing the notion of centrality as the city expands into a multi-dimensional form.

The example of Rotterdam shows that cities no longer rely exclusively on their CBD's for business activity, and expansion in Rotterdam is now taking place in previously underdeveloped areas, such as Kop van Zuid. The city has become a key port in the global economy, and despite relatively high unemployment figures has redesigned its

spaces in order to provide more residential access, and more mixed-use development. The changing nature of the economy, in terms of the decline in shipbuilding and the rise in professional services has meant that the city has had to redefine itself to cope with changing demands in the global marketplace.

Glasgow on the other hand, with similar circumstances occurring in the form of decline in the shipbuilding industry and the loss of manufacturing employment, has also redefined its centre in order to assimilate the changing nature of the economy and its effect on the spatial environment. The city has embarked on an extensive urban renewal programme, utilising spaces for new museums and art galleries, and attracting investors back into the city, so much so that Glasgow has shed its old image and become a vibrant, diverse and attractive city, which people are drawn to.

In terms of international trends, can we say conclusively that the economy is having an effect on the spatial environment? The secondary research and literature studied for this dissertation reveal that economy and environment both play their part in the reshaping of space. In the United States, the issues of crime and grime seem to have been more detrimental to the redevelopment of downtown areas. The suburbanisation of the 1950s, and the subsequent demise of certain manufacturing industries, led to the gradual withdrawal of residents and business from CBD's and the decline of many inner cities, some of which are only now beginning to be revitalised.

Certainly from the case studies of Rotterdam and Glasgow, and indeed in many other European cities, these problems have not been so widely evident.

What can be seen is that the historical role of the CBD has changed in many instances to cope with the decline in manufacturing and the rise in services. Office decentralisation has occurred as a response to changes and innovations in information technology and communications, whereby proximity to clients no longer plays such an important role. E-mail and Internet business (e-commerce) mean that transactions, deals etc. can now be made within seconds across the globe, a phenomenon that has been particularly apparent in the financial sector.

6.2 Trends in South African Cities

The scenario for South African cities is slightly more complex, when one takes into account the nature of apartheid urbanisation, influx control and the peripheral settlements, which surround almost all cities in the country. The nature of urban form and spatial patterns in South Africa are a result of an apartheid legacy, which forbade Africans from moving into the city and has led to the extremely skewed distribution of housing, services and infrastructure, which plagues the improvement of living standards for the poor.

The research carried out in this dissertation gives a strong signal that environment is the key to many of the relocation decisions made by companies in the La Lucia area. Security, traffic congestion and parking came out clearly as the primary reasons for decentralisation, along with image and corporate identity. The latter, according to many of the companies interviewed, has been easily achieved in the office environment of Durban North, particularly La Lucia ridge office estate. Changes in the nature of their business did not affect their decision to relocate out of the CBD.

Durban is similar to many other South African cities in this new wave of decentralisation; Johannesburg has suffered to a greater extent in terms of CBD vacancies, and the core of the city is now virtually devoid of major financial and insurance companies, which have relocated to the Sandton and Rosebank areas. Cape Town has managed to keep much of its CBD intact, although the core has started to spread towards Green Point and Sea Point. This mirrors the expansion of the CBD, which has become so evident internationally. For Freund & Padayachee (2002), *“the urban economy is not easy to comprehend using conventional economic indicators. Its boundaries are relative and not absolute, and the key feature seems to be networks and nodes rather than hard and fast structures”* (Freund & Padayachee 2002:5).

It is difficult to pinpoint the direct cause of the current decentralising activity from Durban's CBD. The problems associated with the CBD may be multi-causal, and are difficult to prove conclusively without extensive primary research being carried out. The primary and secondary research carried out in this dissertation suggests that economic

trends are playing a part in the decentralisation of offices to the north of the city. However, the environmental pressures of crime, grime and the lack of possibilities in creating a strong corporate image in the CBD compound these trends.

6.3 Future Areas for Research

Current research into the development of South African cities is widespread, and will continue to expand as the spatial environment changes. Decentralisation from CBDs is an area, which will continue unless specific environmental issues are addressed. For Durban, research into home-based work and its effect on office vacancy rates would be an interesting area for further research. Also, as one company (Combined Design) pointed out in their questionnaire, development continues apace in the area of Durban North, and yet, companies in their building had left due to high rentals. This trend has also begun to happen in Johannesburg, where companies are now decentralising from decentralised locations, an area of research, which as yet has not been investigated.

6.4 Concluding Remarks

In conclusion, the study of office decentralisation and the restructuring of cities internationally and in Durban have brought a number of interesting issues to the fore, which will continue to affect our spatial environment. Firstly, the rise of the service sector and advances in the fields of information technology and communications have

meant that business can now be conducted across space (Castells 2000), changing the very nature of urban form.

In the developed world, certain cities have claimed dominance in the global marketplace, such as London, New York, Paris, Hong Kong etc. and the spatial structure of these cities still relies on historical networks of finance and professional services, which have kept the CBD relatively intact. With the onset of computer technology, certain districts have opened up outside of the CBD, clustering these activities, a phenomenon, which has occurred globally and in South Africa, in the case of Midrand in Johannesburg. In this regard, the changing nature of the economy and work has had an effect on the spatial environment.

In South Africa, a particular set of circumstances relating to the legacy of apartheid, have resulted in an extremely complex urban environment, which takes on daily transformations. In terms of offices and the business sector, the idea of corporate image and identity has become increasingly important, as illustrated by the survey carried out on offices in the La Lucia area, north of Durban. Companies can no longer find satisfactory office environments in the CBD, preferring the single tenanted, low-rise structures, which are typical of office park developments worldwide. The spatial nature of the city is now expanding into a series of nodes, which will continue to develop if the issues of security and traffic are not addressed.

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Appendix 1

List of companies interviewed by e-mail

1. Unilever (Ed Hall)
2. Maersk Logistics *
3. Deloitte and Touché (Karl Schmidt)
4. Robertson's (David Ascherson)
5. Illovo Sugar (Chris Fitzgerald)
6. Combined Design *
7. Computer Associates *
8. Alexander Forbes (Belinda Horn)
9. Scott-Wilson (Jenny Scott)
10. Khulani Holdings (Tembe Zondile)

* These names have been withheld according to the wishes of the company.

Appendix 2

Questionnaire

1. When did your company open an office in this location?
2. What is the nature of your business?
3. Why did your company choose this particular location?
4. Did you consider the city centre as an option, or did you move out of the city?
5. Why did you move out of the city?
6. Did the fact that similar companies were opening up in this development affect your decision?
7. Where are most of your clients based?
8. Did this affect your decision to move/open up an office here?
9. What are the main advantages/disadvantages of this position?

10. Do you occupy the whole building or share with other tenants?
11. How has the nature of your business and work changed over the past 10-15 years, and did this affect your location decision?
12. Have you computerised and did this affect the location of your company?
13. Has the company restructured, and what impact did this have on the locational decision?
14. Does your company require less or more space, and why?
15. What are the main problems, which you feel constrain office activity in the city centre?
16. Is the age/architecture and layout of the building important and for what reasons?
17. Would you have considered opening offices in the city centre if your concerns were addressed?

Appendix 3

Interview questions for Mike Andrews (Director of Development Facilitation)

1. What do you consider to be the main economic trends occurring in Durban's Central Business district?
2. How in your opinion is the city restructuring to assimilate the changes in the global economy?
 - 2a. Has there been expansion/decline in any particular industries?
3. Have office vacancy rates stabilised or declined?
4. What problems face Durban's CBD at the present time?
5. What is the Council's economic strategy underpinning the CBD?
6. What are the main barriers in your view to investment in the CBD, and to what extent have these pushed investors out of the city?
7. Does the Council offer any incentives for investment in the CBD?
8. What is the relationship between the Council and the private sector in the revitalisation programme?
9. Is there a policy of trying to arrest the flow of decentralising activity to the North of the city, or do you consider this to be a global trend?
10. Why was the ICC built and has it fulfilled its role in the city?
11. Why was Kingsmead office park built, and what type of business was it intended to attract?

12. Has it achieved its aim, and what is the Council's proposed strategy if vacancies are not filled?
13. Do you see the current trend towards office decentralisation as a problem for Durban's CBD economically?
14. What are the policies in place to tackle issues of crime?
15. Where do you see the focus of Durban's vision in the next ten years?
16. Some offices in La Lucia have stated that building design, leasing arrangements and layout played an important role in their decisions to develop in Durban North. Is the Council attempting to develop new building layouts to attract business?
17. In terms of planning applications, does the CBD compare with Durban North?
18. Why in your opinion are companies moving out?

Appendix 4

(Interview questions for Sarah Braude, Assistant Director of Planning – North entity)

1. What are the main economic trends occurring in Durban at the present time?
2. Do you think the City Council should try and arrest the trend towards decentralisation or is it too late?
3. Do you think Kingsmead has been a failure in attracting new investment into the city centre?
4. Is the city restructuring or declining, in your opinion?
5. Is Durban following global trends in this regard?
6. What are the main industries operating in this area?
7. Is the service sector growing?
8. Mount Edgecombe and La Lucia are the fastest growing nodes in Durban – why do you think that this is the case?
9. Do you have contact with these companies, and what reasons do they give for moving into Durban North?
10. What are the crime levels in the area?
11. When did development start and who are the main drivers of change?
12. What underpins the economic strategy of Durban North?
13. Were any of the corporate companies offered incentives to develop here?
14. Who are the major tenants in the area?
15. What are the standard lease arrangements, if any?

16. In terms of the proposed La Mercy airport, do you foresee many companies moving out to this area?
17. Is the vision for Durban North a high technology, information driven economy?
18. Is there a clustering of activities?
19. What is the turn around time for development applications?
20. Do you think Durban is following international trends in the spatial environment?